January 19, 2016

Via Electronic Mail

Michael Judge
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 900
Boston MA 02114

**RE: Assurance of Qualification Guidelines Comments**

Dear Mr. Judge,

On behalf of SunEdison, Inc. ("SunEdison"), I am submitting the following comments on the Massachusetts Department of Energy Resource's ("DOER") Notice, dated January 4, 2016, seeking comment on a proposed SREC-II set-aside of 120 MWdc for Small Generating Units; i.e., systems sized at 25 kWdc and below (hereinafter "SGU"). As stated more fully below, SunEdison believes that this set-aside is overly generous and will lead to imbalanced market development for the remainder of the SREC II program, foreclosing many advanced-stage projects in sectors that advance important public policy objectives such as parking lot canopies, community shared solar systems, and projects serving low- to moderate-income residents of public housing. SunEdison recommends that the SGU set-aside amount be scaled back to 90 **MW** to preserve a reasonable and balanced market opportunity for all market segments.

SunEdison is concerned that a SGU carve-out of the magnitude proposed by DOER will cause an undue hiatus in market development activity in the non-residential and small commercial market - market segments already under considerable duress due to the extended application of net metering caps throughout much of the Commonwealth. If the implicit goal of the carve-out is to promote a more sustained and orderly close-out of the SREC II program, synchronized in such a way that <u>all</u> market segments contribute to the capacity cap until such cap is reached, then a 120 MW carve-out will fail this test. In support of this conclusion, SunEdison notes the following:

- The total program capacity under SREC II is 946.2 MWdc.
- As of DOER's January 4th notification, the 60% threshold triggering consideration of a SGU Carve-Out pursuant to Section 4(F) of the Assurance of Qualification Guidelines had been hit, representing in excess of 567.7 MW of Qualified or Approved Generating Units. This leaves

approximately 378.5 MW of capacity in SREC II. A carve-out of 120 MW for SGU's would leave approximately 258.5 MW as remaining "contestable" capacity under SREC II.

- There are over 145 MW currently on the waiting list for the Net Metering System of Assurance. In essence, these are all projects that could qualify for SREC eligibility overnight but most have not yet done so. There are also a number of projects with cap allocation that have not yet applied for SREC qualification that we expect to move forward. Conservatively assuming that 2/3 of these projects do seek to preserve SREC II eligibility in the near-term, this will leave roughly 150 MW for the remainder of the program (starting January 4, when the small unit carve-out announcement was made).
- The recent average qualification rate for the Small Market Segment is 14.5 MW/month. Assuming linear progression, the SGU carve-out will last approximately 8 months, or through August, 2016.
- By contrast, the recent monthly run rate for the larger market segment is 40 MW/month. Again assuming a linear progression, this market will close out on or around April 1, 2016.

Reducing the carve-out to no more than 90 MW, or by 30 MW, is estimated to reduce the runway for small generating unit qualification under SREC II but approximately 2 months, while extending the close of the program to larger systems for another month or so. This will allow some number of additional non-carve-put systems that are on the cusp of qualifying for SREC eligibility to perfect their qualification and better coordinate the termination of the program for all sectors.

A smaller SGU carve-out is also warranted given changing market dynamics and the considerable headwinds that the large C&I market will face in the Commonwealth post-SREC II. While competing versions of net metering cap relief legislation have been passed by the House and Senate, and conferees continue to meet, both the House and Senate bills anticipate lower compensation values for net excess generation for non-exempt generation going forward. This, coupled with the distinct possibility that cap relief will only apply to a small amount of incremental capacity, along with other policy constraints, means that the policy risk for non-residential solar is going to be much more pronounced going forward.

Additionally, we would note that a reduction in the SGU carve-out will not inexorably lead to a diminution in the number of residential customers touched by the SREC II program. Indeed, much of the recent uptake in the larger distributed system market is with Community Shared Solar facilities that serve this customer base. Now that this market opportunity seems to be gaining momentum, DOER should take care to avoid effectively slamming the door shut on these projects.

Lastly, while the focus of DOER's request for comment is focused on the SGU carve-out, it bears emphasis that the available capacity under the program is dwindling rapidly for all customer segments. This should be a clarion call to the agency that the time has arrived to begin considering a successor program. Already, we anticipate some period of market inactivity while DOER considers whether, and in what form, a successor solar incentive program might be offered. We strongly encourage DOER to immediately begin the process of devising a successor program.

Respectfully submitted,

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